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THE WAR RISK INSURANCE ACT

I. INTRODUCTION

The War Risk Insurance Bill¹ (H.R. 5723) which was approved October 6 last is one of the most important items in our list of war-time legislation. It embodies a comprehensive program for: (a) the support of the families of the men in service; (b) compensation for those killed, disabled, or enfeebled in service, together with provision for the re-education of the disabled; (c) voluntary insurance at low rates, administered by the government.

Prior to the present Great War governments had taken few steps to relieve distress in the families of soldiers, or to provide in advance for the future of those who returned from the front, or for their families should they not return. In every past war the soldiers and their families have indeed suffered more than perhaps any other section of the population. There was some relief by the individual states during our Civil War,² but decentralized administration combined with scanty knowledge of scientific relief decreased the effectiveness of the aid offered. The pension system adopted by the government has been notoriously abused: the five billion dollars spent for this purpose have been used for political aggrandizement rather than for adequate relief.

All the belligerent countries, realizing the necessity of protecting living standards at home and of freeing the soldiers from anxieties, have provided some form of government aid to the families of men in service. The amounts of these allowances vary widely, but they are usually graduated according to the size of the family.³ In

¹ The War Risk Insurance Act here under discussion is to be distinguished from the War Risk Insurance Act of September 2, 1914, which pertained to shipping.

² See an article by Carl R. Fish, "Social Relief in the Northwest during the Civil War," *American Historical Review*, XXII (January, 1917), 309-24.

³ Canada provides a flat separation allowance irrespective of the size of the family. This is supplemented, however, by grants from the Canadian Patriotic Fund graduated according to the size of the family and the relative cost of living in the locality. For a description of the Canadian system see S. Herbert Wolfe, *Care of Dependents of Enlisted Men in Canada*, Children's Bureau, "Miscellaneous Series," No. 10; Paul U. Kellogg, *The Patriotic Fund of Canada*, American Red Cross Bulletin 155; H. R. Y. Reid, "War Relief in Canada," *National Conference of Social Work* (1917), pp. 126-39.

Great Britain and Russia government allowances are paid to the wives and children of every man in the service irrespective of economic need, while in other countries aid is given only if the families are actually in need of assistance.¹

In 1916, Congress took tardy steps to relieve the distress among the families dependent upon enlisted men in the Army during their service on the Mexican border, but the relief offered was poorly co-ordinated,² and the payments were made irrespective of the number of dependents.

Soon after our formal declaration of war the American government took steps providing for the families of men in service. The Council of National Defense appointed Judge Julian W. Mack, of Chicago, to draft legislation to provide not only government allowances but also compensation to the disabled, together with pensions for widows and dependents.

Secretary McAdoo, pursuing an independent investigation, called a conference of life insurance officials on July 2 to consider whether insurance should be offered by the government or by the private companies. The private companies had been compelled to levy prohibitive premiums because of the great extra risk and the lack of any adequate war mortality tables. In some cases the yearly premiums ran as high as \$100 per \$1,000 of insurance.³ At this July conference Vice-President Woodward, of the Metropolitan Life Insurance Company, alone made a definite offer. He stated that his company would write a total of \$300,000,000 worth of insurance at a yearly premium rate of \$58.00 per \$1,000. By a vote of 103 to 4 the insurance men finally approved the issuing of insurance by the government.⁴ A committee of insurance experts appointed by Secretary McAdoo to advise the government, however, later expressed itself as opposed to the method of

¹ For a description of foreign systems see S. Herbert Wolfe, *Governmental Provisions in the United States and Foreign Countries for Members of the Military Forces and Their Dependents*, Children's Bureau, "Miscellaneous Series," No. 11.

² A total of \$6,250,000 was appropriated by Congress for this purpose. The allowance varied according to the amounts the soldiers had been previously contributing to the support of their families. The maximum monthly grant to any family was \$50.00. (39 Stat. L., 649, 801, 859.)

³ *Commercial and Financial Chronicle*, July 7, 1917.

⁴ *Ibid.*

insurance proposed. The nature of this opposition will be discussed later in this article.

Judge Mack, with the assistance of S. Herbert Wolfe, Julia C. Lathrop, and others, drafted the bill during the month of July. It was then submitted to Secretary McAdoo, who gave it his hearty approval; transmitted to President Wilson, who in turn expressed his appreciation; and was introduced simultaneously in the House and Senate on August 10. Representative Alexander and Senator Simmons were its sponsors in the House and Senate respectively.

In his letter to the President, Secretary McAdoo indicated that the bill had two purposes:

Its main purpose is to grant a reasonable government indemnity against the losses and risks incurred in the discharge of a patriotic duty to which the government has called and forced the citizens. It aims to accomplish these ends by granting a reasonable measure of indemnity against the risk of loss of support of the bread-winner, or of life and limb, or present insurability at ordinary rates.

But this was not all, for the Secretary declared, "It ought also to check any future attempts at service-pension legislation by enabling a man now to provide against impairment through old age, total disability, or death resulting from other causes."

In discussing the question of possible expense, Secretary McAdoo said:

It must be borne in mind that the government will not escape these expenditures if this plan of compensation and insurance should be rejected, for the pension plan would then be resorted to and the cost would likely exceed that of the proposed plan. At the same time the pension system would not provide the same benefits nor cover the subject in the same comprehensive, human, and equitable way. No provision is made in our pension laws for family allowances while the men are at the front, nor for rehabilitation, etc.¹

Plainly then one of the integral purposes of the act was to provide a substitute for disability pensions by means of a scientific

¹ In a letter to Judge W. C. Adamson, chairman of the House Committee which reported the bill, Secretary McAdoo further said, "This . . . insurance and compensation measure will be a substitute, or should be a substitute, for the pension system as applied to the present war, and ought to make impossible, as it will certainly make unnecessary, future pension legislation with all its inequalities and favoritism." Sixty-fifth Congress, First Session, House of Representatives, Report No. 130, p. 3.

system of compensation, and for service pensions by means of voluntary insurance issued at even lower than peace-time rates.

The opposition at the hearings and on the floor of Congress was directed chiefly against the insurance features of the bill. The House Committee voted to reduce the amount of insurance which the soldier could take out from \$10,000 to \$5,000, but upon the request of President Wilson the original amount was restored. When finally approved the one great change from the original bill consisted in the replacement of compensation graduated according to the army pay, with liberal minimum limits by a scale fixed irrespective of military rank.

An appropriation of \$176,250,000 was made to meet the demands occasioned by the act. Of this, \$141,000,000 was for family allowances, \$12,150,000 for the compensation provision, \$23,000,000 for the insurance fund, and \$100,000 for administrative expenses.¹

The administration of the act was given, not to the Pension Bureau, as advocated by some, but to the War Risk Insurance Bureau. This Bureau had been created in September, 1914, to insure vessels and their cargoes, and its functions had been expanded by the act of June 12, 1917, requiring the owners of all American merchant ships touching at American ports to insure all officers and men against loss of life and personal injury.

The various features of the bill are so arranged that they dovetail very effectively into one another. The allotment and allowance provisions protect the families of the men while in service;

¹ Secretary McAdoo, upon the advice of Captain Wolfe, had estimated the total expenditures for the first and second years as follows:

	First Year	Second Year
Family allowances.....	\$141,000,000	\$190,000,000
Death indemnities.....	3,700,000	22,000,000
Compensation for total disability...	5,250,000	35,000,000
Compensation for partial disability...	3,200,000	21,000,000
Insurance against death and disability	23,000,000	112,500,000
Total.....	\$176,150,000	\$380,500,000

The estimates as to expenditures for insurance were undoubtedly derived from the experience of Toronto, Canada, which by May, 1917, had issued \$42,000,000 worth of insurance, three-quarters of which was carried by a municipal fund.

the compensation given for disability or death protects the soldier or his family after he has left service; while the insurance features permit the soldier or sailor to provide further protection against death or disability in addition to that afforded by the compensation clauses. These features will now be taken up in turn.¹

II. THE ALLOTMENT AND ALLOWANCE PROVISIONS

One of the first questions that comes to mind is, Why is it necessary to provide stipends for the families of men in service, when the government's policy has been to exempt men with dependents? Though the farsighted policy of the administration in this respect has made the number of dependent families far fewer than they would otherwise have been, it has by no means eliminated them. Vast numbers of men in service have dependents. They are: (a) married men who were enlisted in either the National Guard or the Regular Army and were consequently mustered into service; (b) married men who, because of the severity of some local exemption boards, were conscripted for service in the first draft; (c) married men who enlisted under assumed names, or without the knowledge of their wives; (d) married men with dependents who nevertheless waived exemption, either because of patriotism or a desire to escape from their families; (e) single men who did not have dependents at the time of their entrance into service, but who, because of the death or disability of some other source of support have since become the sole or chief support of parents, sisters, etc.

¹ For the text of the act see Public Document, No. 90, Sixty-fifth Congress, First Session, H.R. 5723. For fuller explanation of the law and the methods of administration see Bulletins of the Bureau of War Risk Insurance: No. 1, *Terms and Conditions of Soldiers and Sailors Insurance*; No. 2, *Brief Outline of Family Allowances, Allotments, Compensation, and Insurance for the Military and Naval Forces of the United States*; No. 3, *Family Allowances, Allotments, Compensation, and Insurance for the Military and Naval Forces of the United States* (an explanation of the act by Judge Mack); No. 4, *Uncle Sam's Insurance for Soldiers and Sailors*. An excellent unofficial statement of the act is given in A.R.C. No. 207, *Handbook of Information for Home Service Sections*, pp. 30-52. W. F. Gephart's note, "The War Risk Life Insurance Act of the United States," *Am. Econ. Rev.*, March, 1918, pp. 195-202, is suggestive in the insurance features.

Furthermore, it is doubtful if the government can maintain its policy of exempting men with dependents throughout the war. The war, if long continued, will make tremendous demands upon the man power of the country, and those at present listed under the draft in Classes II, III, and possibly IV may be drawn upon. Some system of relief is therefore necessary.

The bill provides for a system of "allotments" and "allowances," the former from the men's pay, the latter from government funds. The allowance is paid only if a previous allotment has been made.

The dependents are grouped for the purpose of the act into two classes: Class A, wives or children. The term "wife" includes a divorced wife who has not remarried and to whom alimony has been decreed, and a common-law wife with whom the man has been openly living for two years prior to the declaration of war.¹ All the following who are under eighteen or, if over, who are helpless, are regarded as children: legitimate children, stepchildren, children legally adopted either six months before the passage of the act or a similar time before entrance into service, and illegitimate children whom the father has acknowledged in writing, or toward whose support he has been ordered by the courts to contribute.

Class B, all others.

All men who have dependents in Class A are compelled to allot a minimum of \$15.00 a month and not more than one-half his monthly pay. Within this maximum, the man must allot an equal amount to that given outright by the government in the form of allowances. This allotment cannot be waived by the man himself, and it can be waived by the wife only when she produces evidence to prove that she is able to support herself and the children without assistance from the government. After the allotment has been made the government adds an allowance graduated according to the

¹ In England the question whether the *de facto* or *de jure* wife should be recognized in the payment of separation allowances was most troubling. Indeed the conditions disclosed led to the introduction of the new separation bill and a further attempt at divorce-law reform. See E. S. P. Haynes, *Fortnightly Review* (January, 1918), pp. 107-12.

number of dependents. The amounts of the monthly allowances are as follows:

a) Wife, but no children.....	\$15.00
b) Wife and one child.....	25.00
c) Wife and two children.....	32.50
d) For each additional child above two.....	5.00
e) If there be no wife, but one child.....	5.00
f) If there be no wife, but two children.....	12.50
g) If there be no wife, but three children.....	20.00
h) If there be no wife, but four children.....	30.00
i) For each additional child over four.....	5.00

Men are not compelled to make allotments of their pay to dependents in Class B, but if they do so the government will, under certain conditions, add an allowance to the allotment.

The scale of monthly allowances for dependents in Class B follows:

a) For one parent.....	\$10.00
b) For two parents.....	20.00
c) For every grandchild, brother, sister, or additional parent.....	5.00

These allowances, however, will be paid only if members of Class B are dependent either in whole or in part upon the enlisted man, and if he makes an allotment of pay equal in amount to the allowance given. The enlisted man, however, is not required to allot more than one-half of his pay. If he is making no allotment to dependents in Class A, he must assign a minimum of \$15.00 monthly, but if he is making such allotment he need only assign one-seventh of his pay, or a minimum of \$5.00 monthly, in order that such dependents in Class B may then receive the regular government allowance. The sum of the allotments and allowances to dependents in Class B must not, however, exceed the total amount habitually contributed by the enlisted man to their support.

Not more than \$50.00 can be paid in monthly allowances to the dependents of any one man. Should this be insufficient to grant allowances to all entitled to them, present wives and children take precedence over divorced wives; all dependents in Class A take precedence over all those in Class B. Payment of the allowance

is not automatic, but application must be made for it either by the man himself or by the beneficiary.

It is interesting to note that prior to the passage of this act seven states had enacted legislation providing allowances for dependents of soldiers and sailors with an average monthly allowance of \$22.50 for the dependent wife and of approximately \$7.00 for a dependent child.¹ The sponsors of the bill indeed clearly stated that state grants should be made to supplement the federal system when the latter proved to be insufficient locally.

Excellent as this act is, it does not remove all necessity for further financial assistance. There are several groups of dependents who are not provided for by it: (1) Families of officers. Since an officer is not compelled to allot any portion of his pay, no allowance is made to his family by the government. The supposition was that since an officer is a "gentleman," he will surely provide for his family.² Many officers, however, have not done so, and their families are suffering in consequence. (2) Parents, grandparents, etc., to whom no allotment is made. Since the act does not require enlisted men to allot a portion of their pay to their parents or other dependents, a large percentage of the single men in service are not doing so, even though it may be needed by dependents at home. The government, however, offers an inducement to the soldier to allot a portion of his pay by giving an allowance, and can apply further pressure by means of a clause empowering the Secretary of War and the Secretary of the Navy to withhold up to one-half the monthly pay. This amount is to be treated as a deposit drawing $3\frac{1}{2}$ per cent interest. (3) Families where the amount of the allotment plus allowance is not sufficient to meet their real needs. The maximum allowance per family is \$50.00 per month; this amount, plus the minimum allotment of \$15.00, would afford an income of \$65.00 a month or \$780.00 a year. Though this is probably sufficient at the present time for most soldier's families, it

¹ Maine, Vermont, New Hampshire, Massachusetts, Connecticut, Michigan, and Wisconsin. For the scope and administration of these state systems see Katherine Z. Wells, "State Action for Soldiers Families," *Survey* (September 29, 1917), pp. 570-71.

² Judge Mack said, "It was not believed that it was essential to compel an officer to do his duty to his family. We could leave that to them." *War Risk Bureau Bulletin*, No. 3, p. 9.

is not sufficient for all. A family with several children, whose head has either sought refuge in the Army or has been mustered in through the federalization of the militia, will find it almost impossible to make both ends meet upon such a sum.

Furthermore, the increase in the cost of living may render this allowance inadequate in the future for many families. Investigations for the Shipping Board show that the cost of living on the Pacific coast increased approximately 7 per cent from October 11 to February 1. Credit inflation is causing a rapid rise in prices which cannot be expected to cease during the war. The government must be prepared to revise the system of allowances should the cost of living continue to climb.¹

Much distress has been caused by the delay in transmitting allowances and allotments from the War Risk Insurance Bureau. In justice to the Bureau it must be pointed out that the task has been literally herculean. The Bureau had employed only some forty clerks before the passage of the act; by February 1 its officials numbered over eighteen hundred, while by April 15 its force had increased to 3,300. Though the act was passed October 6, Secretary McAdoo has stated that "practically no applications for allotments and allowances were received prior to December 1, 1917."² Within two months (from that time) the Bureau received approximately 1,170,000 such applications. In 730,000 cases investigation showed that "the soldiers had no dependents and therefore no allotments were made nor could any allowances be granted. Awards were made in 426,000 of the remaining 441,000 cases."³ Trouble was encountered in 15,000 cases because of incomplete application. By April 6 over 1,700,000 checks had been mailed by the Bureau.

The Bureau was not able to mail the November checks till January 14, the December checks were mailed February 7, and the

¹ The failure of the English government to revise adequately its separation allowances in the face of rapidly increasing prices has been one of the sources of discontent in Britain. See Bulletin No. 237 of the United States Bureau of Labor Statistics, *Industrial Unrest in Great Britain*.

² *The Official Bulletin* (February 8, 1918), p. 5. Published by the Committee on Public Information.

³ *Ibid.*

January checks by February 18. The February payments were likewise delayed. The work of the Bureau has now been systematized, and such delay will probably not occur again.

The Red Cross through its Home Service sections is the logical institution to offer supplementary assistance to all those families whose needs are not met by the act. It can give the needed plasticity and local attention. Perhaps more important than its money grants are the possibilities of giving effective social service in the form of advice and counsel to the families of enlisted men.¹

III. COMPENSATION PROVISIONS

The compensation features of the War Risk Insurance Bill are but the logical extension of the principles of social insurance. War is a distinctly dangerous trade, and it is but just that the employer should provide compensation for injuries incurred by the soldiers and sailors. The compensation offered is for diseases incurred as well as for injuries suffered "in the line of duty." The contraction of syphilis or gonorrrhea will not, of course, be compensated, since it results from "wilful misconduct." Unlike the allotment and allowance features, compensation is provided for officers as well as for men.

The original bill as drawn by Judge Mack and introduced into Congress provided for a compensatory scale graduated according to: (1) number of dependents and (2) pay received. For death the scale of compensation per month was as follows:

- a) Surviving widow without children, 25 per cent of pay but not less than \$30.00.
- b) Widow and one child, 35 per cent of pay but not less than \$40.00.
- c) Widow and two children, 40 per cent of pay but not less than \$50.00.
- d) For each additional child up to two, 5 per cent additional but not less than \$5.00 for each.
- e) One child with no widow surviving, 20 per cent of pay but not less than \$15.00.
- f) Two children with no widow surviving, 30 per cent of pay but not less than \$25.00.

¹ The opportunities and problems of home service together with the steps taken to meet them by the Red Cross are discussed in an article by the writer in *School and Society*, March 9, 1918, pp. 271-77.

- g) Three children with no widow surviving, 40 per cent of pay but not less than \$35.00.
- h) For each additional child up to two, 5 per cent additional but not less than \$10.00 for each.
- i) Widowed mother, 20 per cent of pay but not less than \$25.00

The original scale for total disability was as follows:

- a) Man alone, 40 per cent of pay but not less than \$40.00.
- b) Wife, but no children, 50 per cent of pay but not less than \$55.00.
- c) Wife and one child, 55 per cent of pay but not less than \$65.00.
- d) Wife and two or more children, 60 per cent of pay but not less than \$75.00.
- e) No wife, but one child, 50 per cent of pay but not less than \$50.00.
- f) For each additional child up to two, 5 per cent of pay additional but not less than \$10.00.
- g) For dependent widowed mother, 10 per cent of pay but not less than \$10.00 in addition.

For persons so injured as to be in constant need of a nurse an additional sum up to \$20.00 was allowed. The maximum monthly payment to the family of any one man was fixed at \$200.00.

This basis of compensation upon pay received was attacked upon the floor of the House. Representative Black, of Texas, and others protested against giving larger stipends to the dependents of officers than to the dependents of enlisted men. Mr. Black declared that the Mack bill preserved the "distinction of rank and pay beyond the borders of the grave."¹ The democratic nature of the draft was urged as a reason why discrimination should not be practiced against the families of the enlisted men. By a vote of 139 to 3 the House approved the Black amendment providing equal care for the dependents of officers and enlisted men.

As the bill passed the House, the following monthly amounts of compensation for death were established: for widow and no children, \$35.00; for widow and one child, \$45.00; for widow and two children, \$52.50; for each additional child, \$5.00; for one child but no widow, \$20.00; two children, \$35.00; three children, \$45.00; for each additional child up to two, \$10.00; for widowed mother, \$30.00. It will be noticed that the new

¹ *Congressional Record*, Sixty-fifth Congress, First Session, LV, 7719.

monthly rate was, with a few exceptions, \$5.00 more than the minimum provided for under the Mack scale.

The scale of compensation for total disability also established an equal basis of compensation for officers and men. The monthly compensations provided for both classes were the same as the minimum payments provided for under the original bill.

When the House and Senate bills went into conference, the feature of equal compensation irrespective of rank or pay was retained, but the scale was lowered. The scale of monthly compensation finally adopted follows:

For death:

- a) For widow alone, \$25.00.
- b) For widow and one child, \$35.00.
- c) For widow and two children, \$47.50.
- d) For each additional child, \$5.00.
- e) One child, but no widow, \$20.00.
- f) Two children, \$30.00.
- g) Three children, \$40.00.
- h) For each additional child up to two, \$5.00.
- i) For widowed mother, \$20.00.

For total disability:

- a) Man alone, \$30.00.
- b) Wife, but no child, \$45.00.
- c) Wife and one child, \$55.00.
- d) Wife and two children, \$65.00.
- e) Wife and three or more children, \$75.00.
- f) No wife, but one child, \$40.00.
- g) For each additional child up to two, \$10.00.
- h) Widowed mother, \$10.00.

The final rates, therefore, not only established equal compensation for all members of the military and naval forces, but were actually lower than the minimum grants afforded in the bill as presented by Judge Mack. Equality was obtained, therefore, by leveling the compensation of the officers to a lower point than that originally guaranteed to the privates.¹ The discussion of the wisdom and justice of this measure is given in a later section.

¹ With the exception that in case of death a surviving child without widow receives \$20.00 instead of \$15.00; two children \$30.00 instead of \$25.00; and three children \$40.00 instead of \$35.00.

The committee drawing up the bill was faced with a difficult problem in providing compensation for partial disabilities. Compensation on the basis of temporary total disability would be inadequate, because, while the soldier might be able to go back to work within a few weeks, he might also be handicapped for life and thus suffer a permanent loss of earning power. Two other methods were possible: compensation for a stated number of weeks or compensation based on the impairment of earning capacity irrespective of a time limit. Though the former is the method used by most states,¹ its only merit is definiteness and ease of administration. The period in which the injured party suffers financially because of his injury rarely coincides with the period for which compensation is given. Should compensation, on the other hand be based on the loss of earning power, there is danger that the injured person would not be anxious to rehabilitate himself, for by approaching his previous earning capacity he would be cutting down his compensation allowance.

The act is based on the principle of compensation for impaired earning capacity without a time limit, for it reads: "if and while the disability is partial, the monthly compensation should be a percentage of the compensation that would be payable for his total disability, equal to the degree of the reduction in earning capacity resulting from the disability."

It is further enacted:

A schedule of ratings of reductions in earning capacity from specific injuries or combinations of the injuries of a permanent nature shall be adopted and applied by the Bureau. *The ratings shall be based as far as is practicable upon the average impairments of earning capacity resulting from such injuries in civil occupations, and not upon the impairment in each individual case,*² so that there shall be no reduction in the rate of compensation for individual success in overcoming the handicap of a permanent injury.

The plain purpose of this second section is to give the injured man every inducement to rehabilitate himself. His compensation, since it is based on the "average impairments of earning capacity,"

¹ See chart showing details of the compensation laws of the various states, in Bulletin No. 203 of the United States Bureau of Labor Statistics, *Workmen's Compensation Laws of the United States and Foreign Countries*, p. 128.

² Italics are mine.

is not decreased if he succeeds in raising himself to his former earning capacity.

A further problem is, however, created by the terms of the act, namely, what is meant by previous "earning capacity"? Is it army pay or pre-war earnings in civilian occupations? The wording is not clear upon this point. Dr. Rubinow seems to believe that the army earnings are chosen as the base¹ from which impairments are computed. If this is so, there is a manifest injustice. The army pay of the average soldier is not equal to the wages that he has been receiving in civil life. To interpret the law in this fashion would be to work a great wrong.

Complete justice is indeed not given by computing the impaired earnings from the base of pre-war wages. If the war is to be of long duration the soldier will have sacrificed a considerable period from industrial life. Had he continued in industry, would not his wages have increased markedly because of the experience that he would have acquired? To base compensation upon his earnings prior to his entrance into service does not allow him any compensation for loss of potential earning power which he has sacrificed.

The wording of the act is so loose that the decision as to which of these two bases is to be used will probably be made by the director of the Bureau. Ideally the standard that should be used is that of the wage which the soldier probably would have been receiving when he was injured. Practically the determination of this wage may be so difficult that it cannot be employed, in which case the pre-war earnings should be used. The use of military or naval pay as the basis of computation should under no circumstances be employed if it is possible to interpret the act otherwise.

The act is noteworthy in providing for medical care. The bill grants "such reasonable governmental medical, surgical, and hospital services, and such supplies, including artificial limbs, trusses, and similar appliances as the director may determine to be useful and reasonably necessary." The fact that there is neither a time nor a money limit to the amount of medical aid that can be

¹ I. M. Rubinow, "Compensation for Invalids of the War," *Survey* (September 22, 1917), p. 543.

given marks this act as one of the few compensation laws that have recognized the necessity of medical care.¹

The most important contribution which the act makes to the theory of workmen's compensation is provision for the rehabilitation and re-education of the disabled. It thus deals with a vital problem that has been almost universally neglected by compensation legislation. The disabled person needs, not only a money grant, but also training, so that his disability will be the slightest possible hindrance to his re-entering industry.² Social efficiency, as well as justice to the individual demands this. European efforts to care for war cripples³ undoubtedly induced Judge Mack to include this provision in his bill.

There are three ways by which the government puts pressure upon the disabled man to accept treatment—one negative and the other two positive: (1) If he refuses training his compensation is suspended. (2) If he accepts training and improves his economic condition, his compensation is not cut down because of his assiduity. (3) If he is prevented from pursuing a gainful occupation while being trained, he is re-enlisted in the Army for this period. He therefore receives army pay and his family is entitled to the family allowances and allotments as before.⁴

¹ For an analysis of existing provisions for medical aid under workmen's compensation, and an argument for liberal treatment see I. M. Rubinow, "Medical Benefits under Workmen's Compensation," *Journal of Political Economy*, XXV (June, 1917), 580-620; (July, 1917), 704-41.

² The way in which workmen are reduced by serious accidents from skilled to unskilled labor is shown in John C. Faries', *The Economic Consequences of Physical Disability; A Case Study of Civilian Cripples in New York City*, Publications of the Red Cross Institute for Crippled and Disabled Men, No. 2.

³ A vast amount of literature has accumulated around the re-education of the disabled. McMurtrie's "The War Cripple," *Columbia University War Papers*, Series 1, No. 17, gives a succinct statement of the problem. Perhaps the best source is the English periodical *Returned to Life*, edited by Lord Charnwood; the *American Journal of Care for Cripples*, of which Douglas C. McMurtrie is editor, also contains much valuable material. For a complete bibliography on this topic see McMurtrie, *A Bibliography of the War Cripple*. Publications of the Red Cross Institute for Crippled and Disabled Men, No. 4.

⁴ Since this was written a bill has been introduced in Congress at the suggestion of the Surgeon General to make the provisions of the Compensation Act apply to badly crippled men receiving vocational re-education. Their families would thus receive the compensation payable for total disability during the period of re-education rather than the allotments and allowances.

The exact methods to be used in re-educating the disabled are left for future legislation. In the meantime the Surgeon General's department is making provision for beginning the work while the men are in service.

Several lamentable developments of pension administration have been guarded against by the law: (1) In order to receive compensation the man must obtain a certificate from government medical inspectors within a year from his withdrawal from service, stating that he is suffering from injury or disease likely to cause death or disability. If death or disability does primarily result from such injury or disease, compensation will be paid; otherwise not. This prevents the practice which has prevailed of old soldiers claiming compensation twenty and thirty years after the Civil War for injuries received in that war. (2) Claim for compensation must be made within five years after the cause of such compensation occurred. This has the further effect of preventing widows from filing claims as an afterthought. (3) A woman who marries a soldier later than ten years after he receives the injury from which he dies will not receive compensation from the government. The disgraceful spectacle of young women marrying old soldiers for their pensions will consequently be avoided.

Though Congress passed this bill with all its barriers against future pension legislation, it yet raised (by means of a "rider") all existing pensions to widows to \$25.00 a month. That Congress intends to turn over a new leaf is therefore not clearly demonstrated.

IV. INSURANCE PROVISIONS

The most bitterly contested article of the bill was that providing government insurance. The reasons for including insurance provisions in the bill were two: first, the non-insurability of the risks by private companies; second, the forestalling of future attempts at service pensions. The war has created two varieties of non-insurability: (a) The practical impossibility of soldiers' securing insurance from private companies. Many companies refuse to write any policies; others have fixed prohibitively high premium rates. Few will issue policies for less than \$50.00 annual payment on \$1,000 of insurance; some placed the rate as high

as \$100.00 per \$1,000. (b) Many men now in good health will come back from the war in such impaired condition that private companies will not then insure them. Yet they may not be so disabled as to come under the compensation provisions of the act. Government insurance is then necessary to protect them.

The committee of experts from private insurance companies appointed by Secretary McAdoo opposed optional insurance and favored "increasing the amount of compensation provided, by a grant on the part of the government of a stated amount of life insurance to every fighting man without any premium."¹ This alternative proposal was in effect a recommendation for a lump-sum compensation payment in addition to the monthly instalments already provided for; it was not insurance in any true sense of the term. Mr. Parker in the minority report of the House Committee centered his opposition upon the insurance feature and favored increasing the compensation.² Though some opposition developed upon the floor of the House, the insurance section was easily passed, only five representatives voting against it.

The bill provides that every person in service may apply to the Bureau without medical examination for from \$1,000 to \$10,000 insurance against death or total disability resulting from any causes either during or after the war. The insurance provided is thus general insurance and not exclusively war insurance. Only near relatives can be named as beneficiaries.³ The United States bears, not only the extra mortality and disability cost resulting from the war, but the cost of administration also, so that the premiums are actually lower than the normal peace-time rates. During the war and for not more than five years afterward the insurance is to be so-called "term" insurance, holding for successive terms of one year with no surrender value. Premiums are to be paid monthly and deducted from the soldiers' and sailors' pay. The insured person is given the opportunity of converting the term insurance within

¹ Statement by Geo. M. Ide, chairman of this committee, *The Nation* (February 7, 1918), p. 158.

² House of Representatives, Sixty-fifth Congress, First Session, Report 130, Part 2, p. 9.

³ Parents, grandparents, children, grandchildren, wife, brothers, and sisters.

five years after the war, without medical examination, into some policy issued by the Bureau. If he does not do so the insurance will automatically expire. The Bureau was also empowered by the act to designate the forms of insurance for which the term insurance could be exchanged, and to fix the premiums.

The Bureau of War Risk Insurance has stated that the term policies may be converted into the following forms: (a) whole-life, (b) payment life, (c) endowment, (d) other policies to be announced later.¹ Especially significant is the Bureau's statement that the premium cost upon the converted policies "will be a fixed premium without expense charge. *This means that it will be cheaper than the now published rates of insurance companies because the government will not charge for running or overhead expenses.*"² The government is plainly committed, therefore, to continue to bear the cost of administration after the war.

A time limit of 120 days was fixed in which the men in service could apply for the insurance. During this time the government provided free and "automatic" insurance to the amount of approximately \$4,300.

It had been thought at first that flat-rate premiums would be levied irrespective of age, but the Bureau instead graduated them according to years. The monthly cost for men of 21 is \$0.65 for every \$1,000 of insurance; for men of 31 it is \$0.70 for every \$1,000; for men of 41, \$0.82 for every \$1,000.³ Since the annual premiums

¹ Bureau of War Risk Insurance, Bulletin No. 4, *Uncle Sam's Insurance for Soldiers and Sailors*, p. 5.

² *Ibid.*; italics are mine.

³ The following table gives the monthly premium cost:

Age	Monthly Premium per \$1,000	Age	Monthly Premium per \$1,000	Age	Monthly Premium per \$1,000
15-17.....	\$0.63	33.....	\$0.72	42.....	\$0.84
18-20.....	.64	34.....	.73	43.....	.87
21-23.....	.65	35.....	.74	44.....	.89
24-25.....	.66	36.....	.75	45.....	.92
26-27.....	.67	37.....	.76	46.....	.95
28.....	.68	38.....	.77	47.....	0.99
29-30.....	.69	39.....	.79	48.....	1.03
31.....	.70	40.....	.81	49.....	1.08
32.....	0.71	41.....	0.82

The rate goes up sharply after 50 years, until a man of 65 years pays a monthly premium of \$3.35 per \$1,000 of insurance.

will increase every year because of the man's greater age, an inducement is given for early conversion into some other form of policy.

The insurance is not to be paid in a lump sum, but in 240 monthly instalments. Table I shows the monthly income which various-sized policies will yield. Thus the widow of a man who had taken out the full amount of insurance allowable would receive \$25.00 monthly compensation and \$57.50 insurance, or a total of \$82.50. A widow and one child would receive a monthly total of \$92.50, and a widow and two children \$105.00 monthly.

TABLE I

Amount of Insurance	Payable in Monthly* Instalments of	Amount of Insurance	Payable in Monthly Instalments of
\$1,000.....	\$ 5.75	\$ 5,500....	\$31.63
1,500.....	8.63	6,000....	34.50
2,000.....	11.50	6,500....	37.38
2,500.....	14.38	7,000....	40.25
3,000.....	17.25	7,500....	43.13
3,500.....	20.13	8,000....	46.00
4,000.....	23.00	8,500....	48.88
4,500.....	25.88	9,000....	51.75
5,000.....	28.75	9,500....	54.63
		10,000....	57.50

* Monthly instalments will be payable during the total and permanent disability of the insured even if the injured party lives longer than twenty years.

It had been prophesied by enemies of the bill and feared by its advocates that only a relatively small percentage of the men in service would take out insurance. The Bureau embarked on a vigorous selling campaign. The military organization, the Red Cross, insurance agents, and other bodies were enlisted in pushing the sale of policies. An officer in every camp was placed in charge of the work. Two hundred experienced agents, under the direction of Willard D. Straight, were sent to France to conduct the sale of policies overseas. Table II shows the progress of the sales campaign.¹ The time limit was extended from February 12 to April 12 to allow Major Straight an opportunity to reach all sections of the

¹ These figures have been compiled from the announcements made from time to time in the official *Bulletin*, published by the Committee on Public Information. See issues of January 5, 18, 25, and 30; February 4, 9, 12, 16, and 19; March 7; April 17.

overseas forces. The two months of extra time therefore allowed five billion dollars more of insurance to be issued.

By February 18, 90 per cent of the men in military service within the United States had taken out policies. The remarkable way

TABLE II

Date	Total Number of Applications for Insurance Received	Total Amount of Insurance Applied for
December 13, 1917	200,000	\$1,963,000,000
January 4, 1918	363,000	3,106,000,000
January 12, 1918	428,000	3,633,000,000
January 24, 1918	530,000	4,487,000,000
January 29, 1918	604,000	5,071,000,000
February 1, 1918	670,000	5,592,000,000
February 11, 1918	836,000	7,000,000,000
February 18, 1918	1,082,000	8,879,000,000
March 6, 1918	1,392,000	11,256,000,000
April 6, 1918	1,700,000 app.	14,000,000,000 app.

TABLE III

Camp	Percentage of Men Insured	Camp	Percentage of Men Insured
Dodge	99.9	Greene	98.0
Lewis	99.6	Devens	97.9
Doniphan	99.3	Beauregard . . .	97.4
Taylor	99.3	Sherman	97.2
Upton	99.0	Logan	97.0
Travis	99.0	Shelby	97.0
Funston	99.0	Meade	96.5
Sheridan	99.0	Pike	95.0
Custer	98.8	Grant	95.0
Wheeler	98.8	Merritt	95.0
Kearney	98.7	Wadsworth	93.0
Jackson	98.5	Gordon	93.0
Dix	98.1	Lee	92.0

in which the men in the army camps responded is shown in Table III.¹ These figures show how false were the gloomy prophecies that not over a quarter of the men would take out insurance.

The average-size policy issued is one of approximately \$8,100. The fact that so overwhelming a majority of the men in service have taken out insurance removes all excuse for further service pen-

¹ The *Official Bulletin* (February 19), p. 7. The returns from camps Cody, Sevier, Hancock, Bowie, McClellan, and McArthur were not sufficiently complete to give the percentage of men insured.

sion acts. Though no figures have been computed showing the average policy per officer as compared with the average policy per enlisted man, the fact that the general average so closely approached the maximum indicates that the difference between officers and men cannot be marked. This refutes the opinion advanced by Mr. Chamberlain that a \$5,000 insurance policy would seem entirely unnecessary to most of the enlisted men.¹

V. SUMMARY

This act is more comprehensive and liberal than that of any other belligerent country. It not only protects the family of the man in service and compensates them should he die or be totally disabled, but protects the single man as well who has been disabled. The man who is partially disabled is given a money grant as well as every inducement and opportunity to educate himself. It affords, moreover, an opportunity for the enlisted man to provide greater protection for his family by offering him insurance at low rates. Children who upon reaching eighteen years would pass from under the compensation provisions can now be insured a good education. Brothers and sisters can be provided for as well. In short, the act enables the standard of living of the families of men in service to be maintained and in some cases actually to be raised.

The more ultimate effects of the act are no less striking. It removes the necessity and should remove the possibility of both disability and service-pension legislation. That it will work a revolution in the insurance business of the country is evident. The insurance on the books of the Bureau on April 6 was nearly four times as great as that of the largest commercial life insurance company in the world and more than one-half of the total amount of life insurance carried by private companies in the United States.² With the addition of future drafts the amount will swell still further. Within a year probably between twenty and thirty billions of dollars of insurance will have been issued. Not only has the total

¹ Joseph P. Chamberlain, "Insurance for Soldiers and Sailors," *Survey* (September 8, 1917), p. 505.

² This includes neither the marine insurance carried by the Bureau nor the insurance of men in the transatlantic merchant marine.

amount of life insurance been increased in this fashion, but the average governmental policy is of an unprecedented size. The average sailor or soldier who has government insurance carries nearly five times as large a policy as does the average New York holder of life insurance.

Moreover, the importance of insurance has been impressed upon the country as a whole and upon the men in service in particular in such a manner that it should result in future expansion of the insurance business.

The act undoubtedly means the continuance of the government in the insurance business after the war. Private companies will find the government to be their most serious competitor, and the solution may be the creation of a state monopoly in the insurance field. Secretary McAdoo indeed seems to favor increasing the field of state insurance.¹

Admirable as the act is, there are many defects which must be remedied and many administrative problems which must be solved before it can achieve all the purposes which it was designed to accomplish. Perhaps the most important defects are: (1) Officers are not compelled to allot pay to their wives or children. (2) Allotment of pay is not compulsory to dependent parents. (3) Compensation for death or total disability is not given to dependent brothers and sisters or to other near relatives. The force of this objection is somewhat negated by the power of protecting these relatives by government insurance. (4) Compensation is given irrespective of pay. This violates all the canons of good compensation legislation (for compensation should take into consideration the previous standard of living). It is also likely to prove an entering wedge for future pension acts, for it will be an easy matter for a future Congress to raise the compensation scale. (5) The provision for basing compensation for partial disability is so loosely worded that much ambiguity is created. (6) The government has

¹ See his letter to George M. Ide, president of the Home Life Insurance Company, in which he practically charged Mr. Ide with conducting a propaganda against the Insurance Act, and concluded by saying, "If a propaganda against the War Risk Insurance Bureau is beginning I shall be very happy to meet it. Such a propaganda may produce many beneficial effects *in widening the field of the War Risk Insurance Bureaus activities.*"—*The Official Bulletin*, March 6, 1918 (italics mine).

assumed all the overhead expenses of the insurance business both now and after the war. Some of this expense, such as the original medical examination, and the soliciting of insurance by officers and other government officials, is plainly in the nature of a joint cost and impossible to segregate. But part, such as the expenditure attached to the War Risk Bureau, can be easily segregated. To make no charge for this during the war may be justified because of the vital need for insurance. It is, however, impossible to approve of continuing this practice after the war. This would really amount to a subsidy to the government insurance business. It would thus give a false picture of the efficiency of government methods and would give government insurance an unfair advantage over private competitors. The case of state v. private insurance is one that should be decided in a fair field.

The chief problems of administration which must be solved are: (1) Working out, pending legislative action, of the standard to be used in computing the previous earnings of those partially disabled. As has been pointed out, the pre-war earnings seem to be the best base which can reasonably be applied. (2) Determining the "average" impairments of earning capacity. This is a task that will seriously tax actuarial skill. (3) Preventing policies from being abandoned after the war. Such a dangerous trade as war inspires men to take out insurance. With the coming of peace the burden of paying even such low premiums as those attached to the government policies will prove irksome to men who are carrying as much as \$8,000 and \$9,000 of insurance. A large percentage of the men will be tempted either to abandon their policies or to reduce them to a smaller figure. The Bureau must pursue a comprehensive and prolonged program of education if it wishes to avoid this probability.

Taken in its entirety the act bids fair to prevent the injustice which occurred during and after our Civil War from being repeated. It is also a very significant item in the state-socialistic program that is being adopted in America under the stress of war conditions.

PAUL H. DOUGLAS